



## FISCAL HIGHLIGHTS

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Full Reports and Staff E-mail Addresses  
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[www.le.utah.gov/lfa](http://www.le.utah.gov/lfa)



## EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW  
MEETING DATE: SEPTEMBER 18, 2007

**Report: Federal Funds**

Tenielle Young of the Governor's Office of Planning and Budget presented the list of federal fund grant applications since the July EAC meeting. One new federal grant and one reapplication of an existing grant required legislative action. The Governor's Office approved six new and one reapplication of an existing grant. Currently there are 376 grants being tracked by the Governor's Office.

The new grant within the Department of Human Services requires an annual state match of \$66,000. The total federal award is \$375,000 to fund a support group for substance abusers and their children awaiting entry into treatment.

**Committee Action:**

The committee approved the two applications.

**Staff Contact:** Thomas Young**Report: Utah's Medicaid Prescription Drug Program**

Michael Hales, Director of Health Care Financing for the Department of Health, presented an overview of the Medicaid Prescription Drug Program and an update on the implementation of the preferred drug list (PDL) passed into law last year. Additionally, Mr. Hales briefed the committee on the implementation of provider rates associated with the sav-

ings from the PDL. His report indicated the net savings of the required transfer of state Medicaid clients to federal Medicare under the Part D clawback program is about \$4 to \$5 million.

The PDL will begin implementation October 1, 2007 with estimated savings from the first drug category at \$360,000 General Fund. Mr. Hales feels confident that the department can accurately project savings from the PDL and use it for provider rate increases effective January 1, 2008.

**Staff Contact:** Russell Frandsen**Report: Progress of East/West Corridor Study**

During the 2007 General Session, the Legislature passed H.B. 108 "Transportation Study - East- West Corridors in Salt Lake County and Counties of the Second Class" (R. Bigelow). Section 1 of the bill requires the Department of Transportation in coordination with a representative of the metropolitan planning organization to study east-west transportation route improvements in Salt Lake County between the 2100 South Corridor and the southern end of the county between Interstate 15 and SR-111. The bill further requires the Department of Transportation to study east-west transportation route improvements in counties of the second class.

*(Continued on page 2)*

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BEN LEISHMAN, EDITOR

## EXECUTIVE APPROPRIATIONS

~ CONTINUED FROM FRONT

Carlos Braceras, Deputy Director, Department of Transportation, presented information to the committee stating that the Department and the Transportation Commission have hired consultants to assist department engineers in conducting the studies required in the legislation. The department is concentrating their efforts on studies in Davis/Weber, Salt Lake, Utah, and Washington Counties. They will brief the Executive Appropriations Committee of their progress during the November 2007 meeting. A final report is expected to be presented to the Executive Appropriations Committee before October 2008.

**Staff Contact:** Mark Bleazard

### **Report:** Charter School/Local District Funding Formula

Section 19 or H.B. 164 "Charter School Amendments" passed during the 2007 General Session requires the State Board of Education and the State Charter School Board to jointly conduct a study on charter school funding and to "develop a joint proposal for unifying charter schools and district schools into the same district local funding formulas while maintaining the unique purposes, exceptions, and local parental control that currently exists in the charter schools."

Since April 2007, a small group of interested stakeholders has met to discuss local revenue sharing. This group includes legislators, the State Superintendent, school district superintendents, members of the State School Board and State Charter School Board, and members from associations representing local school boards, the PTA, and charter associations. The group has met several times and discussed a local revenue-sharing formula, mechanisms to allocate revenues and various options for delivering these revenues to charter schools.

The work of this group will continue over the next several months leading to the 2008 General Session. This group will inform legislation establishing a local revenue sharing mechanism between the district schools and charter schools.

**Staff Contacts:** Ben Leishman & Patrick Lee

### **Report:** Higher Education Low Cost Degree Programs

In H.B. 150, Item 129, intent language states, "It is the intent of the Legislature that the State Board of Regents submit a plan to the Higher Education Appropriations Subcommittee during the 2007 Interim, showing how the Utah System of Higher Education will deliver five different two- and four-year degrees at a per-student cost of no more than \$500 per year, accommodating at least 10,000 students during FY 2009."

Commissioner Kendell presented a response to the intent language requesting a plan to deliver low-cost degree to at least 10,000 students during FY 2009. The presentation showed current costs for both Associate and Bachelor degrees at the institutions with the lowest direct cost of instruction. The costs for Associate degrees are \$4,006 at Dixie State College, \$4,248 at Salt Lake Community College, and \$4,986, at Utah Valley State College (compared to a USHE average of \$5,424). The costs for Bachelor degrees are \$11,222 at Dixie State College and \$12,282 at Utah Valley State College (compared to a USHE average of \$14,293). Commissioner Kendell discussed methods to use to provide low-cost degrees, such as focusing on low cost disciplines (Business, Education, Humanities, and Social Science); using on-line instruction; limiting student services; not providing any lab, experimental, or hands-on learning; and focusing on a student population of highly motivated students who maximize Advanced Placement and concurrent enrollment. Commissioner Kendell stated that a target of \$500 per year would not be possible, but a more realistic target would be \$2,500 to \$3,000.

**Staff Contact:** Spencer Pratt

#### New LFA Staff

We welcome three new Analysts to the LFA Staff:

- Rich Amon - comes to the LFA from GOPB and will work with Steve Allred on the Capital Facilities & Administrative Services Subcommittee, focusing on Administrative Services.
- Russell Frandsen - worked for the Arizona Legislature and is the Fiscal Analyst for the Health Budget. He will co-staff the Health & Human Services Subcommittee with Debbie Headden.
- Patrick Lee - previously worked for the Health Department and will work with Ben Leishman on the Public Education Budget (Education Agencies) and Spencer Pratt on the Higher Education Budget (UEN & Medical Education Council).

**Report: Nonlapsing Appropriation Balances**

The Fiscal Analyst's Office reported on statewide nonlapsing balances between FY 2001 and FY 2007. Legislative authorization to carry forward appropriated but unspent funds into the next fiscal year is referred to as "nonlapsing authority." Some reasons for granting nonlapsing authority include paying for multi-year projects with one appropriation, avoiding end-of-fiscal-year spending sprees by agencies, and encouraging planning for future needs.

The report concludes that statewide nonlapsing balances have increased by 44 percent since FY 2003, when adjusting for outlying changes in highway budgets. Further, the report shows that projected balances reported to legislators in advance of a fiscal year do not accurately predict actual balances at the end of the fiscal year.

As a proportion of total appropriations, non-transportation related balances have increased from 2.7 percent to 3.5 percent from FY 2003 to FY 2006. The report provides charts showing nonlapsing balances by appropriation subcommittee since FY 2001.

The report recommends shifting nonlapsing intent language from budgets in advance of a fiscal year to budgets in the supplemental year. The Analyst believes that granting nonlapsing authority nearer to the end of a fiscal year allows for better estimation of available balances, provides greater accountability for potential uses of such balances, and permits the Legislature more flexibility in prioritizing spending.

The committee requested more information be provided on original funding sources from which appropriations were made, and the type of intent language used.

**Staff Contact:** Steven Allred

***Higher Education's  
Capital Development Priorities***

The Board of Regents recently met and prioritized its capital development requests for the upcoming 2008 General Session. Priorities are shown below. Cost estimates are for state funds only and are preliminary.

1. U of U School of Business, \$28.5M
2. USU Agriculture Building Replacement, \$42M
3. SLCC Digital Design & Communication Center, \$37.6M
4. SUU Science Building Addition, \$17M
5. UVSC Science Building Addition, \$47.6M
6. CEU Fine Arts Complex, \$22M
7. WSU Davis County Classroom Building, \$32.1M
8. U of U Pharmacy Building, \$39.6M
9. DSC Centennial Commons Building, \$81.2M

As for Snow College, the Board of Regents will request capital dollars in the amount of \$1.7M to pay off bonds at the Sevier County facility, plus possibly another \$5.2M to purchase the local school district's share of the facility.

The UCAT Board of Trustees also recently prioritized its capital development requests as:

1. (Land) Dixie ATC 12.5 Acre Purchase, \$1.8M
2. Mountainland ATC North Utah County Campus, \$14.6M
3. Ogden Weber ATC Health Technology Building, \$18.4M
4. Southwest ATC Health Science and IT Building, \$5M

These requests, along with requests from all state entities, will now go to the State Building Board for its prioritization process. On October 3 the Building Board will hear presentations from all state agencies and institutions, and will make its prioritized recommendations on October 18.

**Staff Contact:** Steven Allred

### ***The Executive and Judicial Compensation Commission***

An executive compensation commission was originally created in 1969 by the Legislature as an independent commission to develop a comprehensive salary classification plan for the elected and appointed officials of the State. The legislative purpose was to develop a unified, orderly approach in determining compensation for State officers based on recognized standards. Such a system was deemed necessary in order to attract capable, responsible persons to serve in executive and judicial positions. The Commission makes its recommendations regarding the classification and compensation of these state officers directly to the Legislature. Recommendations on appointed executives are also made to the Director of the Department of Human Resource Management, who in turn reports to the Governor.

#### **Six Member Commission**

Under the terms of the Executive and Judicial Salary Act (Utah Annotated Code §67-8-1), the Commission is composed of six members. One member is appointed by the Governor, one by the President of the Senate, and one by the Speaker of the House. These three then choose two other members. Under legislation adopted in 1988, the State Bar Commission appoints a sixth member. Originally, this member participated only in studies and recommendations on judicial compensation. Under amendments approved by the 1991 Legislature, this member now participates in all of the activities and recommendations of the Commission. Not more than three members may be from the same political party. The Commission elects its own chairperson and vice chairperson from opposite political parties.

#### **Staff Support**

The statute provides that administrative, budgeting, procurement, and related management functions for the Commission will be provided by the Legislative Fiscal Analyst who also serves as the ex-officio, nonvoting secretary of the Commission. The Commission will be meeting later in September and October to deliberate and formalize its recommendations for Fiscal Year 2009.

**Staff Contact:** Gary Ricks

### ***Watershed Restoration Initiative***

Utah's Watershed Restoration Initiative is lead by DNR and implemented through a cooperative conservation approach under the Utah Partners for Conservation and Development. It involves state and federal agencies working together with conservation organizations, landowners, local officials and industry to address statewide watershed issues that cross ownership and administrative boundaries. In FY 2007 DNR leveraged its \$3 million with money from other partners to total \$8.9 million. This cooperative conservation approach has resulted in 100 restoration projects statewide, treating 114,500 acres of private, state and federal lands. The goal of the treatments is to reduce wildfires and soil loss from erosion; to improve water quality and yield, wildlife habitat, agricultural production and resistance to invasive plant species.

DNR will continue to leverage its funding, \$2 million ongoing from General Fund through H.B. 102 ("Land and Water Reinvestment") and \$500,000 ongoing from Dedicated Credits through H.B. 47 ("Sales Tax Diversion for Watershed Projects and Water Financing"), and work with its Partners to improve Utah's watershed.

**Staff Contact:** Ivan Djambov

### ***Federal Adam Walsh Child Protection & Safety Act***

Enactment of the federal Adam Walsh Child Protection and Safety Act in 2006 mandates an FBI background check on all adoptive or foster parents. During the 2007 General Session, passage of H.B. 245, "Child Welfare Amendments," brought the State into compliance with this federal legislation. However, there are conflicts over whether this legislation was intended to include placements with a relative. If it does, this could result in children being placed in temporary shelters for longer until the background checks can be completed. The Utah Legislature and the Division of Child and Family Services in the Department of Human Services are continuing to work on a solution.

**Staff Contact:** Debbie Headden

***Prison Population Management***

Anyone knows that the fastest way to fill up a bathtub is by plugging the drain and turning the water pressure on high. Adjusting either the water pressure or the drain will adjust the rate at which the bathtub is filled. With the drain plugged and the water on, eventually the bathtub will overflow. If the water flow into the tub is greater than the flow out of the tub, it will also overflow, just over a longer period of time. As the rate a bathtub will fill with water depending on the water pressure and to where the drain is set, the same is true for a prison population.

A prison population's size depends on two factors: (1) how many people come in and (2) how long they stay. Adjusting any one of these two factors has a direct effect on the size of a prison population. Included in these factors are aspects that are both inside outside of a state's control. These aspects include the crime rate, state population growth, sentencing of convicted criminals, and other factors including technical parole violations.

Numbers point to increased commitments to house prison populations. Projections show that the U.S. will experience a 13% increase in prison populations between 2006 - 2011. Utah is above that average at 25%. The Western Region—the highest of all regions, is projected to increase 18%. With the cost of housing an inmate estimated to be about \$24,000/year this becomes a very serious obligation.

As with any state, Utah must consider both public safety in the context of sound prison population management. Constant awareness of the dynamics of both the inflow and outflow of inmates is basic in order to manage these state prison populations effectively.

**Staff Contact:** Gary Syphus

***UDOT Completes Innovative Project to Address Congestion on Bangerter and 3500 South***

The Utah Department of Transportation has finished construction of the state's first continuous flow intersection (CFI) at 3500 South and Bangerter Highway. The Continuous Flow Intersection will improve traffic flow through one of the busiest intersections in the state, and will prepare the intersection to handle future traffic demands due to expected population growth.

"This concept is new to Utah and looks a little different than a traditional intersection, but most drivers will find it to be safe and easy to navigate," said Jason Davis, deputy director of UDOT Region 2.

The Continuous Flow Intersection configuration shifts left turns from Bangerter Highway onto 3500 South over to the far left of the roadway. This design, combined with traffic signal coordination, will allow all straight-moving traffic, right and left turns from Bangerter Highway to proceed at the same time, resulting in more efficient traffic flow.

UDOT has prepared an educational simulation for drivers who want to see how the new Continuous Flow Intersection works. The simulation and other information about Continuous Flow Intersection are available on the UDOT Web site at [www.udot.utah.gov/cfi](http://www.udot.utah.gov/cfi).

Continuous Flow Intersections, originally designed by civil engineers in Mexico, have also been implemented in New York, Maryland and Louisiana. In each location they have shown positive results in congestion relief, safety and travel time.

The intersection has been under construction since March, with a total project cost of \$7.5 million.

**Staff Contacts:** Mark Bleazard

Source: Utah Department of Transportation

**Commerce & Workforce Services Appropriations Subcommittee**

The Subcommittee met on August 29, 2007 and September 12, 2007. The committee heard reports on eREP from the Department of Workforce Services. The eREP program is behind schedule by seven months. The program is going cost an additional \$8.2 million to complete. During the 2007 General Session the Legislature appropriated \$3.2 million in one-time General Funds to complete the program.

The original budgeted amount for the program was \$ 70,885,119, including General Fund and Federal Funds. The revised budget presented to the Subcommittee was \$79,021,723 with the majority of new funding coming from Federal Funds. There will be some need for additional General Funds, the Department stated that it will most likely be able to fund the state portion through internal allocation internal funds. DWS also stated that there will most likely be additional request for funds during the 2008 General Session.

**Staff Contact:** Danny Schoenfeld



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## RETURN SERVICE REQUESTED



### Higher Education Appropriations Subcommittee

The Higher Education Appropriations Subcommittee met on September 12 at Weber State University to discuss a number of budget-related items.

Rep. Holdaway, the House co-chair of the Higher Education Task Force reported on the progress of the Task Force. One of the issues that the Task Force is discussing deals with how to coordinate the Utah College of Applied Technology (UCAT) as a part of the Utah System of Higher Education (USHE). Rep. Holdaway went over recommendations that Commissioner Richard Kendell presented to the Task Force. The recommendations suggest UCAT following several of the methods the USHE employs, such as a space utilization study, master planning and requesting of physical facilities, partnering for program space, partnering for the development and awarding of degrees, and presentation of the budget requests.

The Commissioner's office presented a response to intent language requesting a plan to deliver low-cost degree to at least 10,000 students during FY 2009. The presentation showed options for increasing access and affordability while preserving quality. These options include Advance Placement (AP), Concurrent Enrollment, On-Line and Distance Learning Courses, Open-Courseware, and In-state Consortia. The Commissioner's office requested additional time to continue its efforts toward completing this request. (This item was also presented to the Executive Appropriations Committee at its September meeting.)

The Commissioner's office also presented a number of comparisons looking at USHE institutional equity. The comparisons include the range of institutions' tuition rates, the range of tuition as

a percentage of operating budgets, tax funds per FTE, and the direct cost of lower division instruction per FTE. Further study is anticipated and will be analyzed. A report will be available during the 2008 General Session.

Student retention rates in Utah are lower than national rates. Roadblocks include a lack of preparation, motivation, and financial means. Additional counseling and advisement will assist students in these areas. Because student-to-advisor rates are approximately three times higher than average nationwide rates, the USHE is planning in requesting additional advisors, which should help increase retention rates.

The Legislative Auditor General's Office presented its Performance Audit of Higher Education Personnel Budgeting Practices to the Subcommittee. The recommendations of the audit include requiring a report of vacant positions, more accurately reflect actual costs in personnel and non-personnel budget areas, and more accurate carry-forward balances. The Commissioner responded by agreeing to provide better budgeting information and generating a vacant positions report. A follow-up audit is scheduled for one year from now. The Post-Retirement Benefits audit was also discussed, with the institutions reporting that their liability for both GASB 45 and GASB 47 benefits had been significantly reduced. This has been achieved through terminating certain benefits and identifying others as discretionary and only available to the extent current budgets allowed. The Commissioner's office stated that all other benefits (such as accrued sick leave and vacation leave) are booked as liabilities as required by GASB and could be paid out in full if the need arose.

**Staff Contact:** Spencer Pratt